



# The Real Estate ANALYST

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A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies....Survey....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## REAL ESTATE ACTIVITY DROPPING BUT STILL HIGH

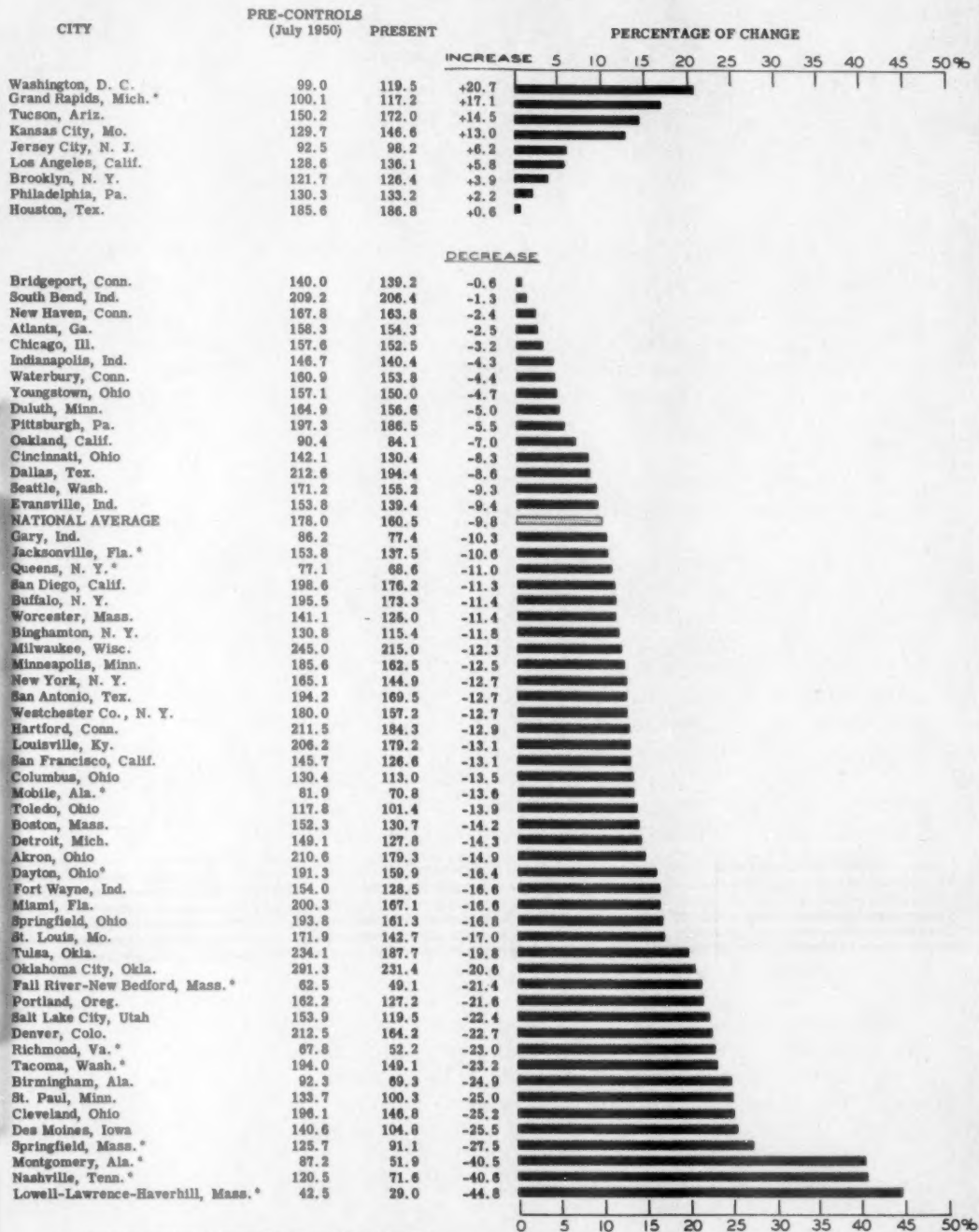
**R**EAL estate follows the economic laws which control many other types of commodities, but with one rather outstanding exception - it is fixed in location and it cannot be taken to a favorable market. An oversupply existing in one community cannot be moved to another community where a shortage exists. For this reason it is more essential in dealing with real estate figures to have charts for local areas than it is in dealing with other elements of the economy.

With that in mind our company from time to time publishes all of the figures which we can on a city-by-city or an area-by-area basis.

As a general thing, real estate activity at the present time is considerably lower in most cities than it was prior to the institution of Regulation X. Not all of the blame, however, should be placed on credit restrictions. In fact, we are not at all certain that even a major part of the blame should be placed there. Had there been no Regulation X the change in interest rates alone would have been sufficient to have caused real estate activity to drop. It will be remembered that when the Federal Reserve unpegged government securities the prices of governments fell and that it became necessary for new government bonds to be issued at a slightly higher interest rate. Many large insurance companies and other financial institutions who had been making mortgages by selling government bonds now found themselves in the position where they could only make additional mortgages by taking a loss on the government bonds which they already held and which they could ride out to maturity without a loss, if they preferred. Since no increase was authorized on FHA loans nor on veterans' loans, the rate which could be earned on mortgages was not sufficient to justify the loss in principal which selling government bonds involved.

While this period has generally been referred to as a period of mortgage crisis and a shortage of mortgage money, this is a misstatement. There is no shortage of mortgage money in the United States at the present time and there never has been. The amount of money available for mortgages depends almost entirely on the rate of interest which mortgages will pay in relationship to the risk which mortgages entail. With the general rise in interest rates, mortgages have become unattractive unless a comparable rise can be secured in loans on real estate. The unrealistic attitude of the Veterans Administration in regard to GI loan rates has resulted in only those GI loans being made which have been made by institutions from the standpoint of patriotism and maintaining good will in their

# CHANGES IN REAL ESTATE ACTIVITY



\* Based on number of transactions per 10,000 families.

own communities. They have not been made from the standpoint of securing the best and most profitable investments.

Another factor which is responsible for a drop in real estate activity is the fact that the boom is getting tired. It has continued now for many years with a very high rate of new building. The housing shortage is no longer so acute as it was a few years ago. Purchasers are no longer willing to pay as much scarcity premium as they were willing to pay in 1946, 1947 and 1948.

Still another factor which has been shrinking real estate activity has been the shrinkage in new construction. The original Regulation X requiring a larger down payment on new properties, together with the shortages of materials, has been bringing about a shrinkage in the volume of new building which by the end of the year may equal 30% of 1950 volume. A large part of the real estate activity in the last few years has consisted of the sale of buildings just completed.

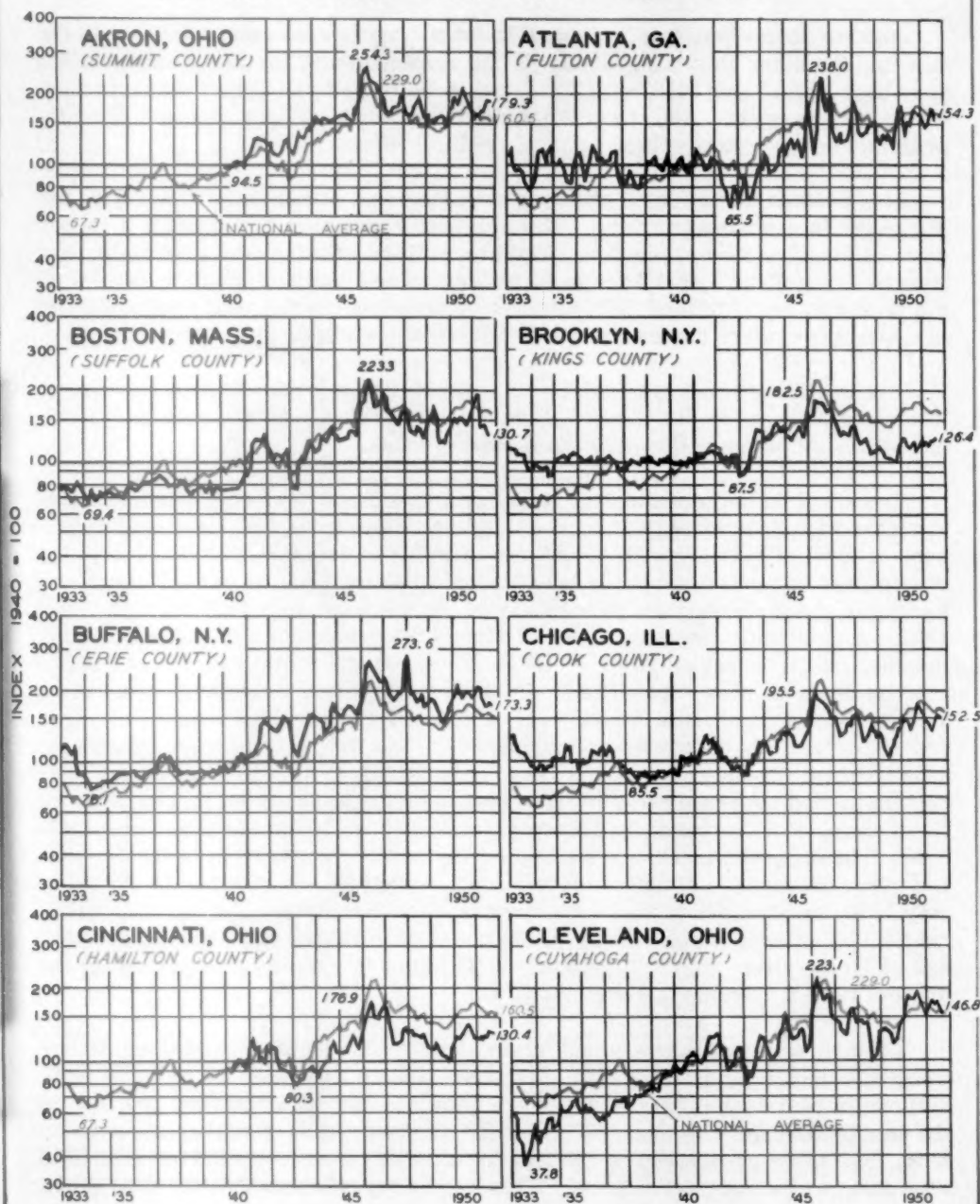
The inhibiting effect of Regulation X will not have a great effect on the market in the period ahead as the changes made recently by Congress are such that it will have little influence in shrinking the volume of loans.

The chart on the opposite page shows real estate activity in 67 principal cities expressed as a percentage of increase or decrease from the pre-Regulation X control level of July 1950. It is quite interesting to compare this chart with the one on page 252 published in the May 31, 1951, Analyst. This earlier chart was a similar chart showing the percentage of change from July 1950 through April 1951. A relatively few cities have bettered their positions in the intervening months, but the great majority of cities are showing a lower rate of real estate activity now than they did at that time. Then the greatest increase in real estate activity was in San Diego, California, which was running 16.4% above the pre-control period. In the present chart, however, San Diego, California, is running 11.3% below. In the chart of last May, Springfield, Ohio, had the largest percentage of drop over the pre-control period, with a percentage of 32.7%. Springfield, Ohio, at the present time is only running 16.8% below the pre-control period. The biggest percentage of drop of any one of the areas is in the Lowell-Lawrence-Haverhill, Massachusetts, Area, which is now running 44.8% below July 1950, and the second poorest showing is in Nashville, Tennessee, where real estate activity is now running 40.6% below the levels of July 1950. The average of all the cities shown in May was 7.5% below the pre-control period; at the present time it is running 9.8% below.

The nine pages of charts which follow show the fluctuations in real estate activity on a month-by-month basis, compared in each case with the national fluctuations in real estate activity which are shown by the superimposed red line on the chart. The chart on page 489 shows the national cycles of real estate activity from 1910 to the present. The red line on this chart is uncorrected for growth of population or for long-term trend. This line is superimposed on the blue areas to show the difference which the growth in the United States has made.

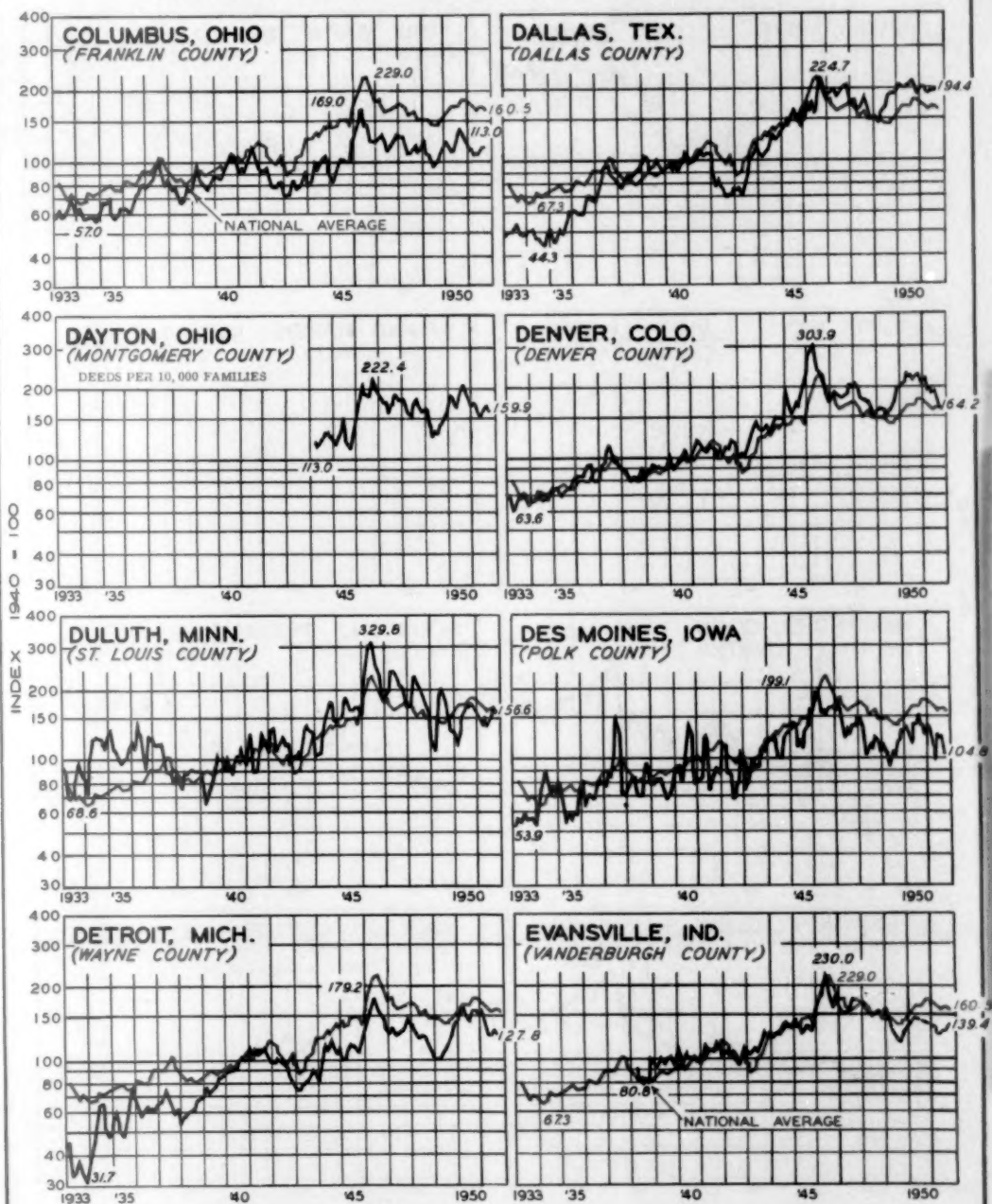
# REAL ESTATE ACTIVITY IN PRINCIPAL CITIES

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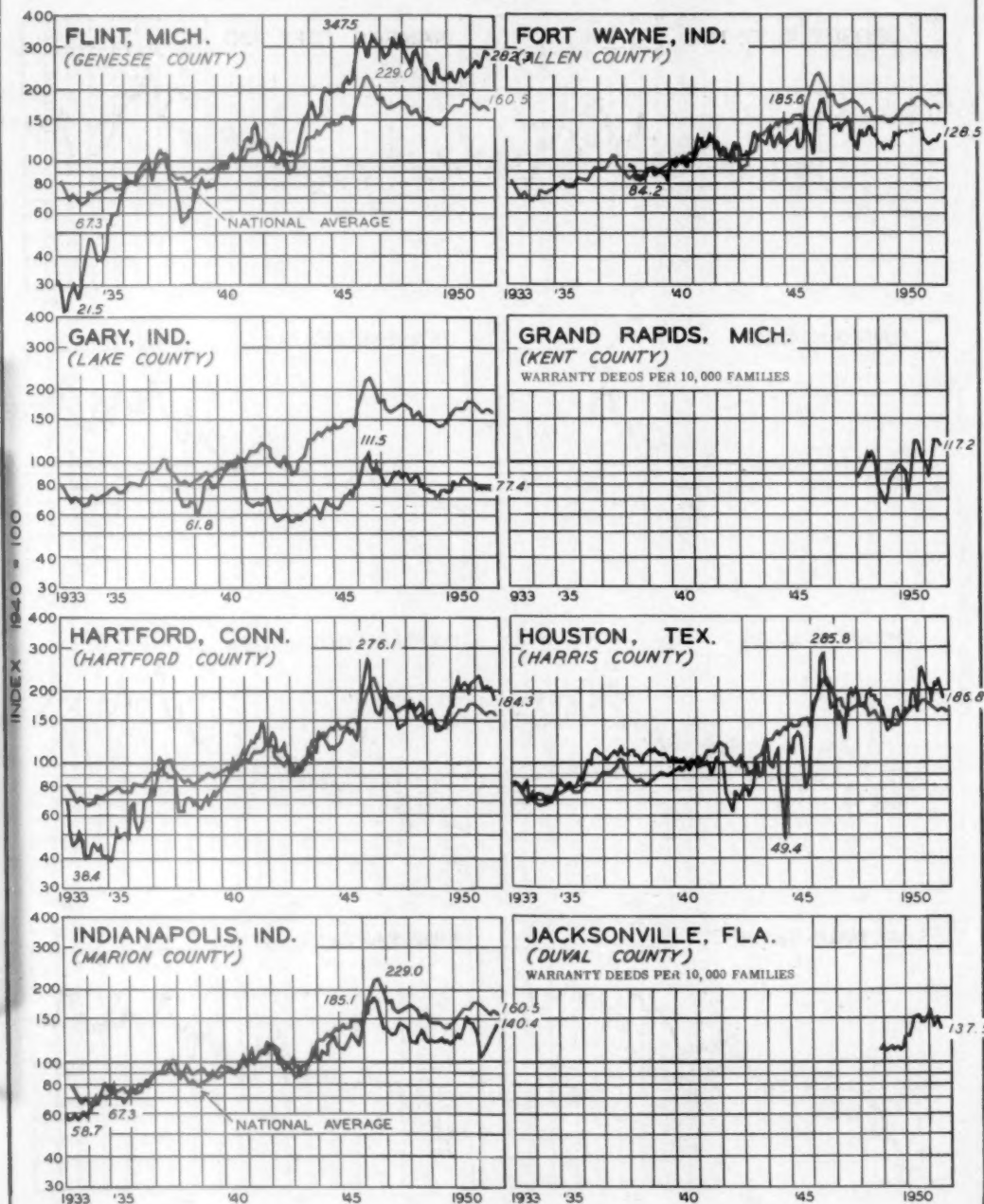
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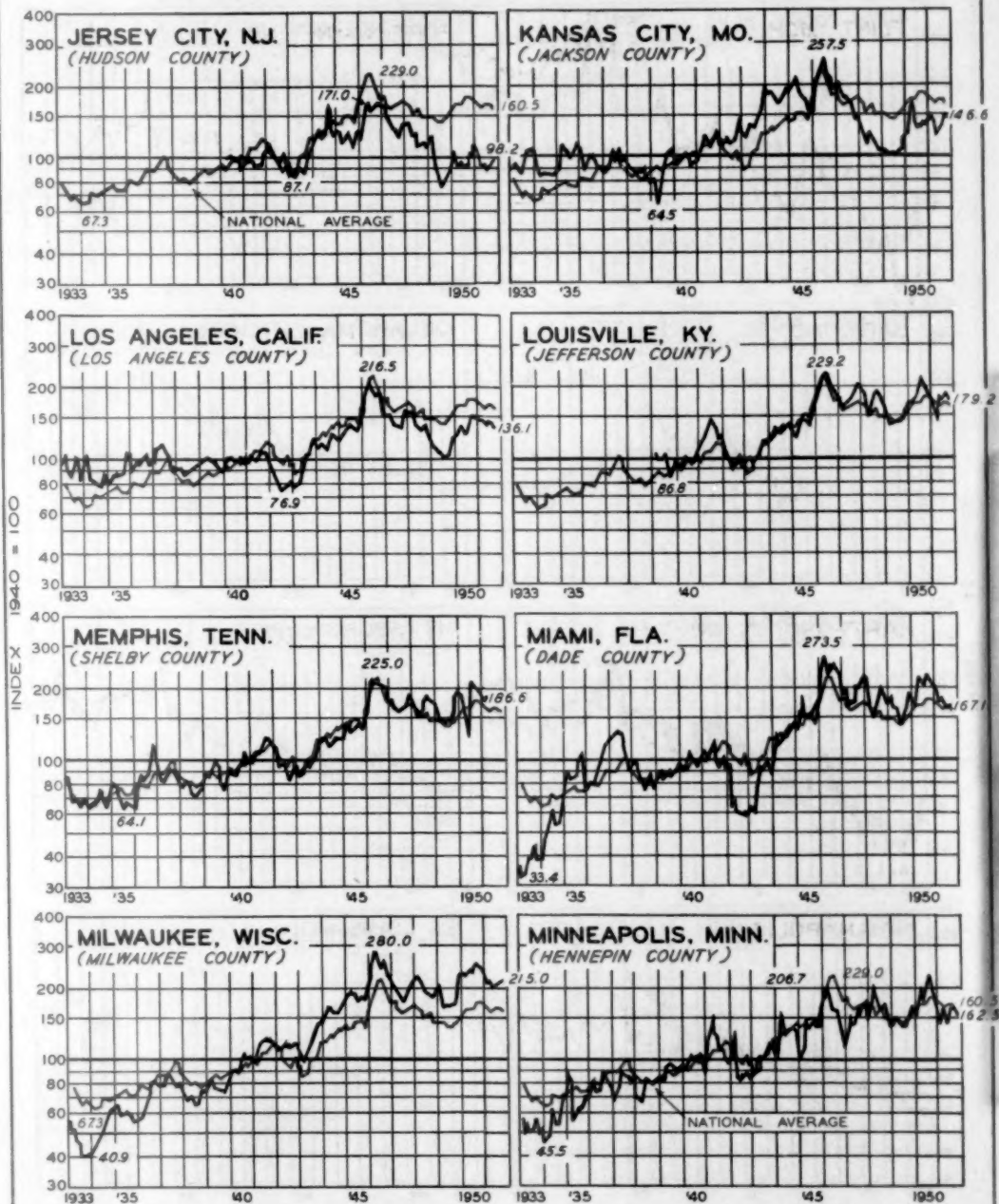
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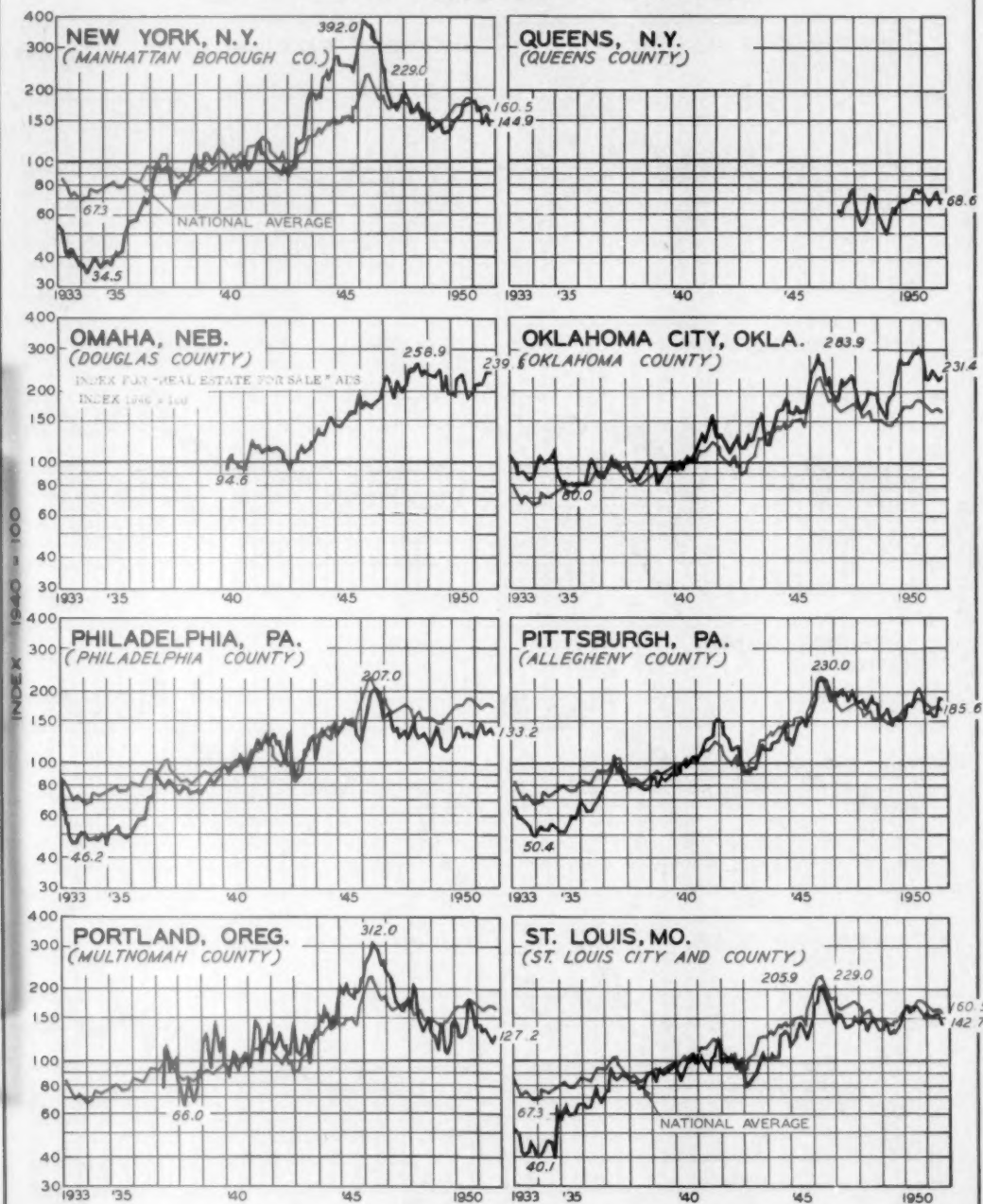
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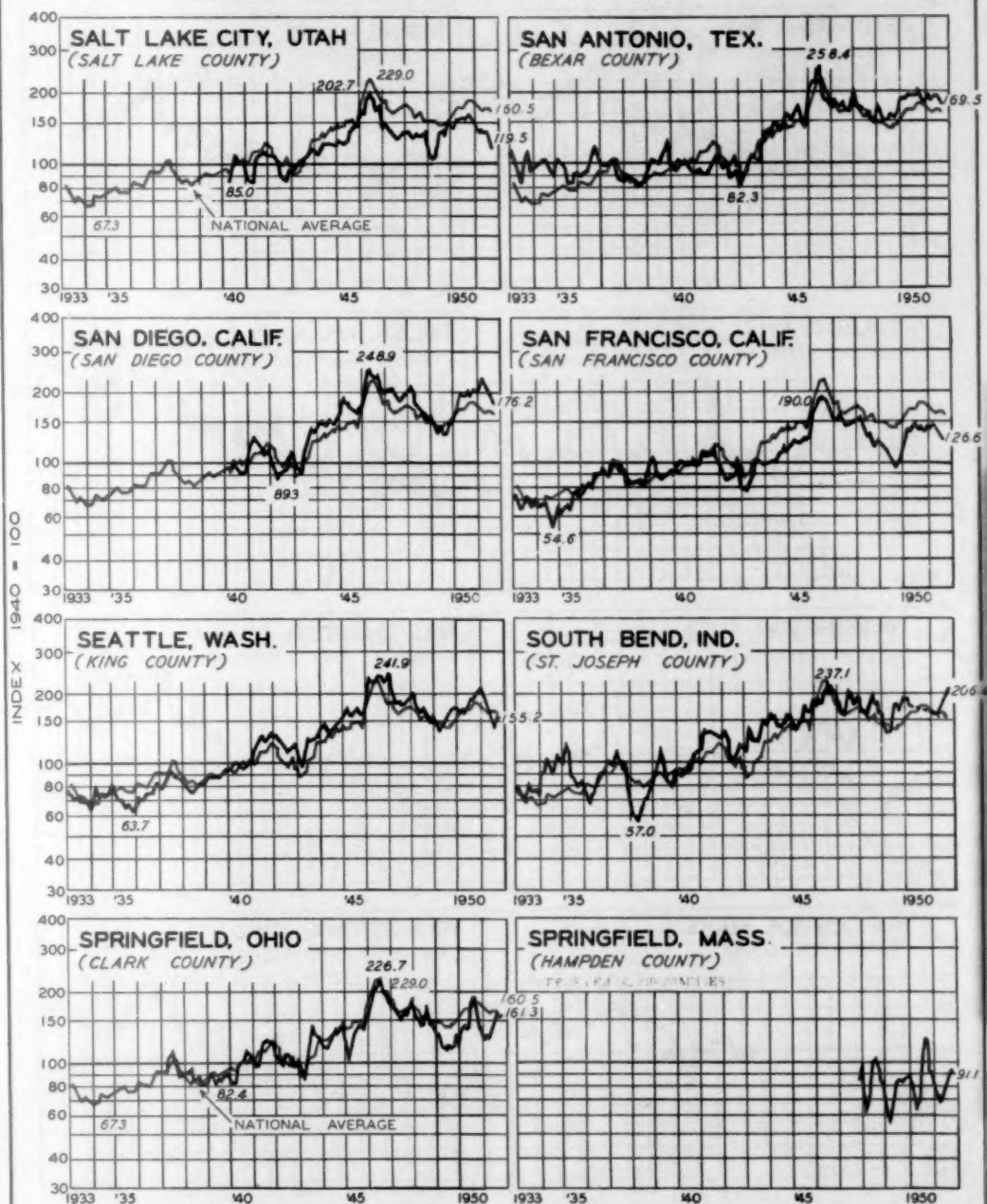
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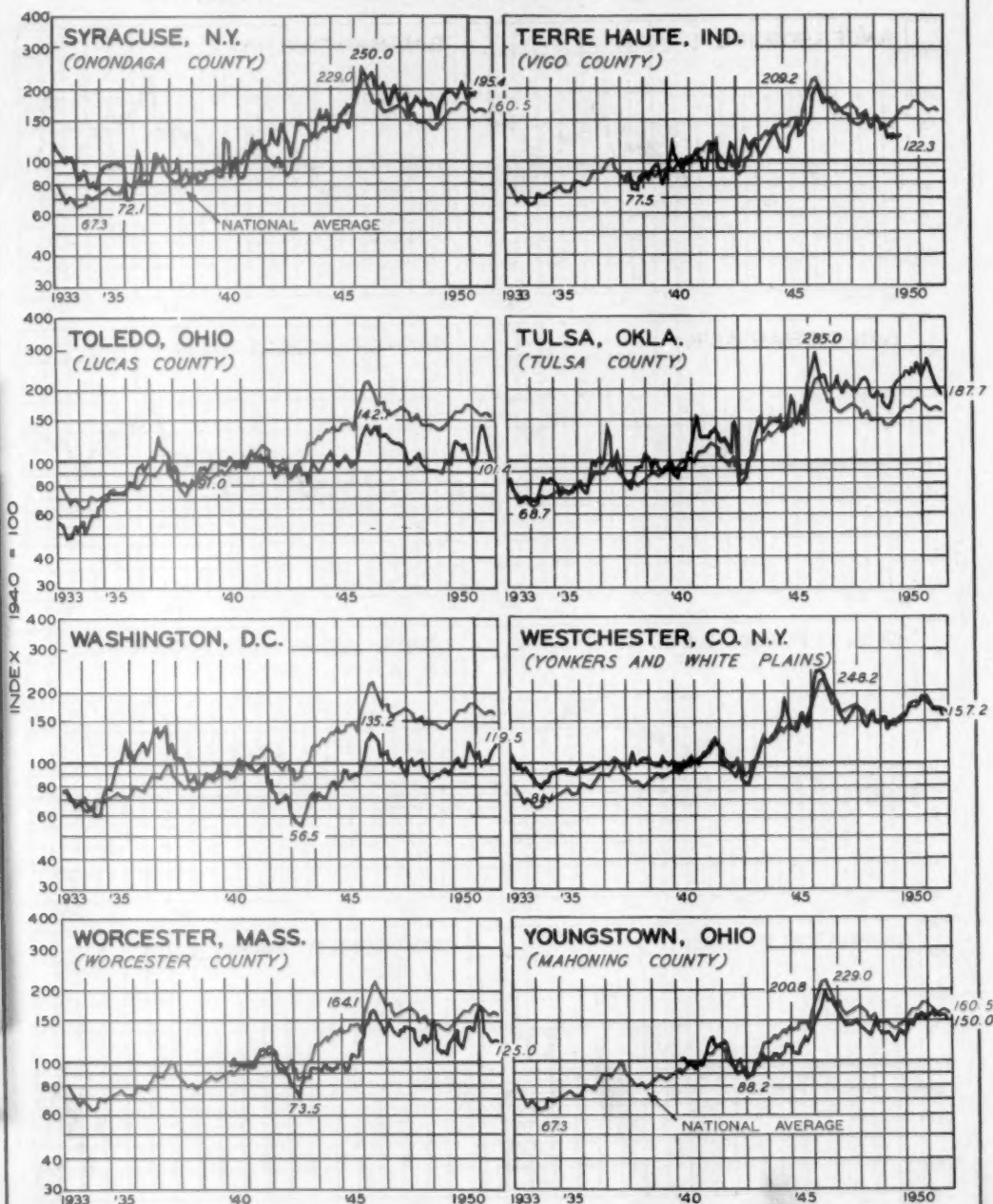
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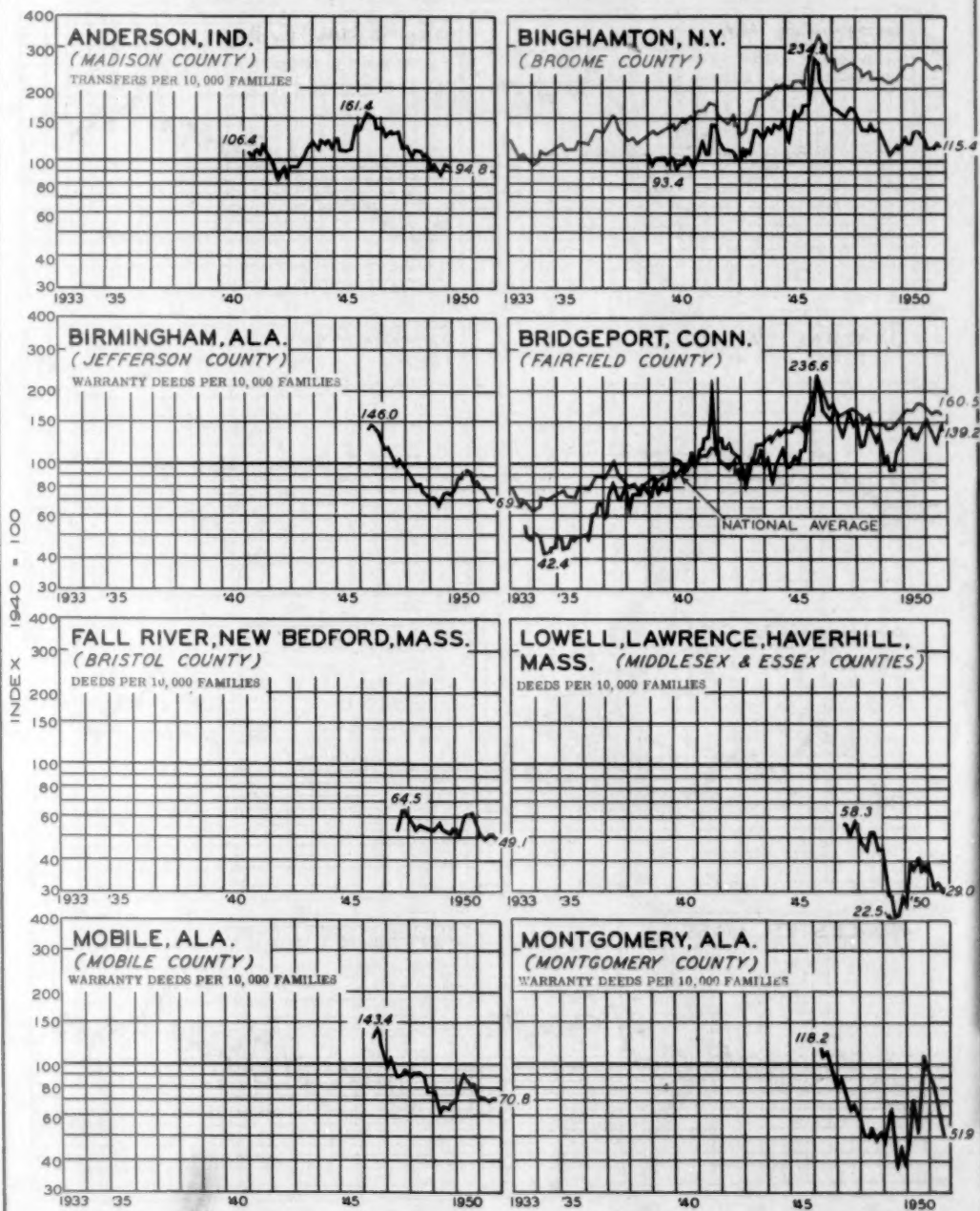
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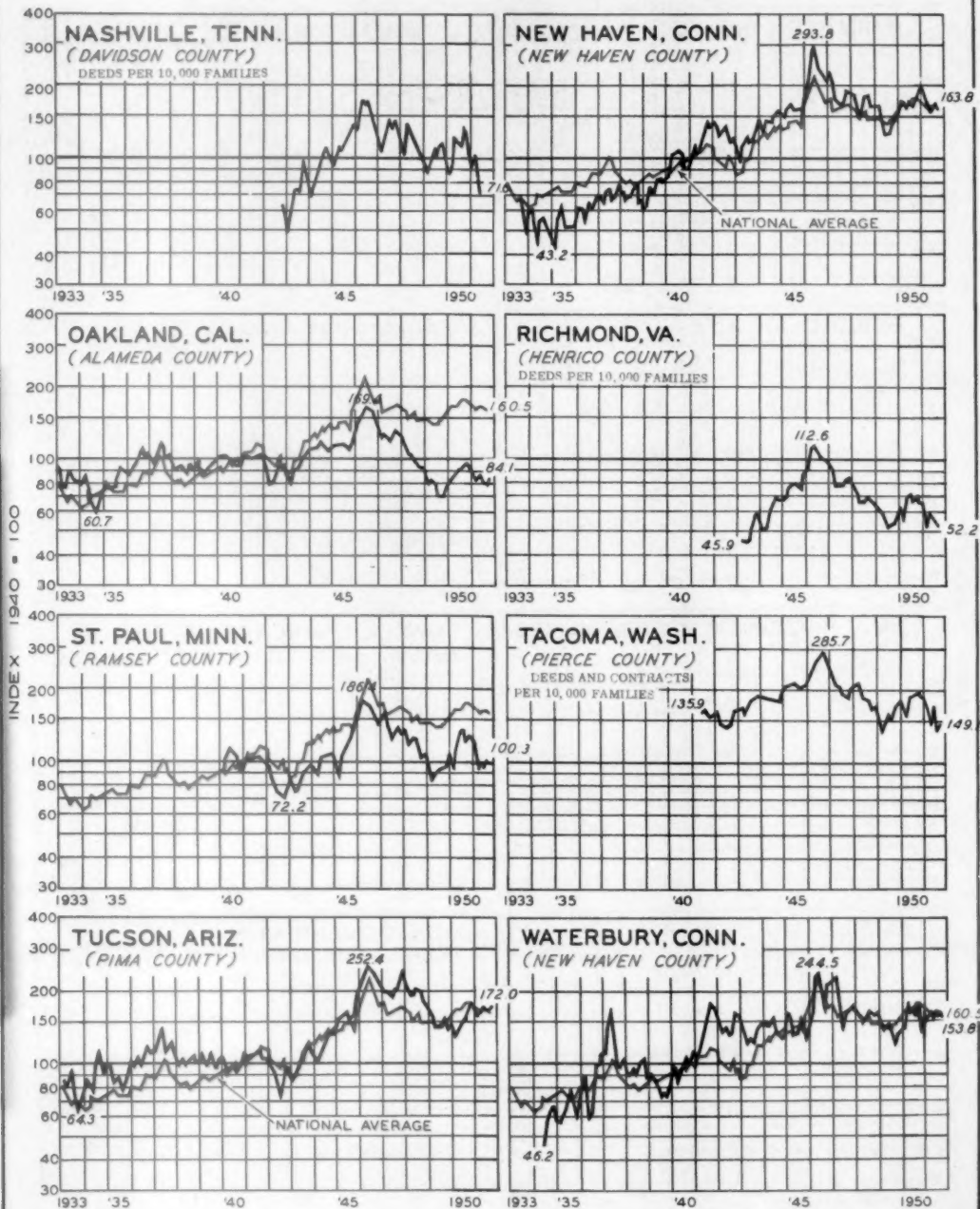
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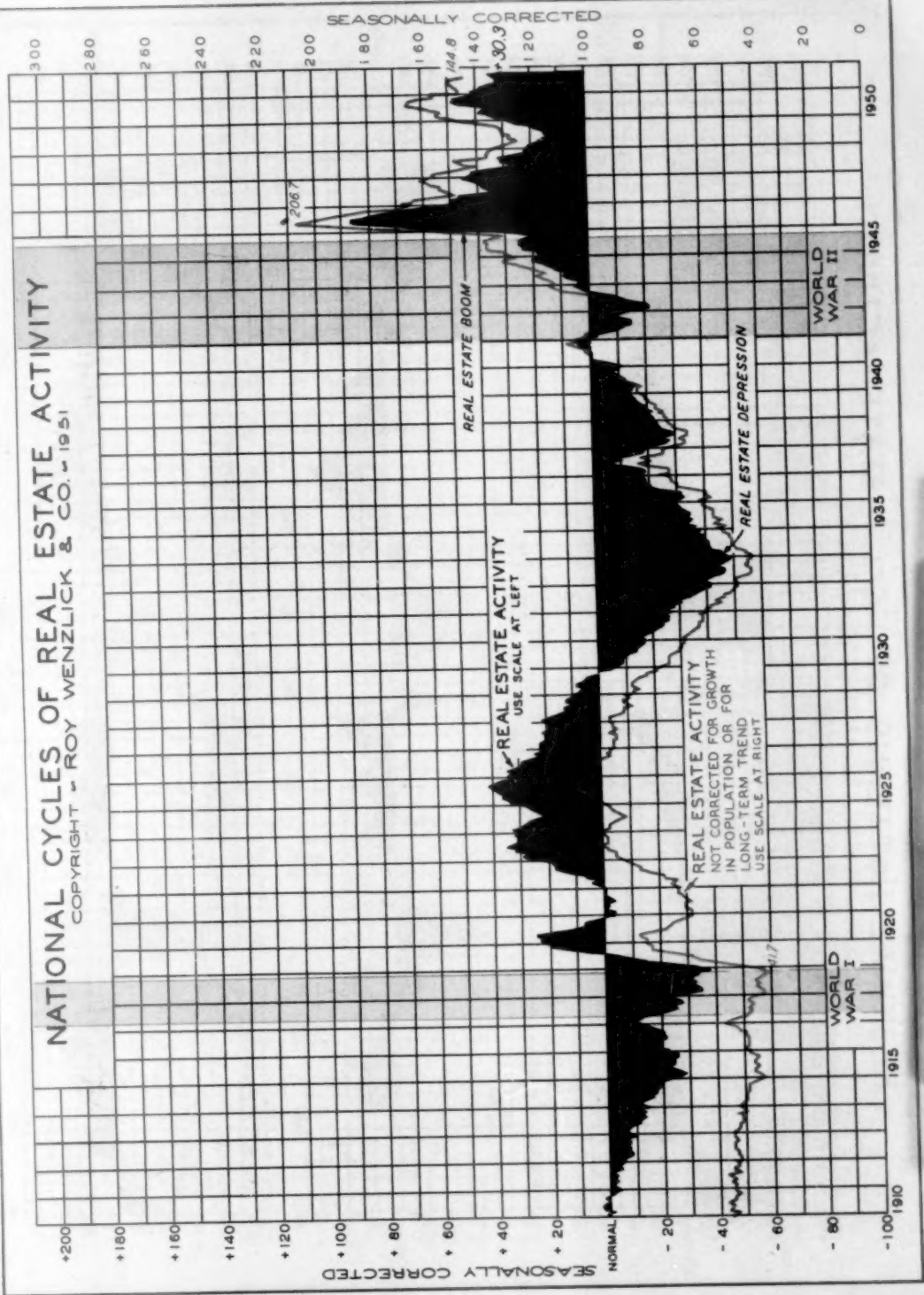
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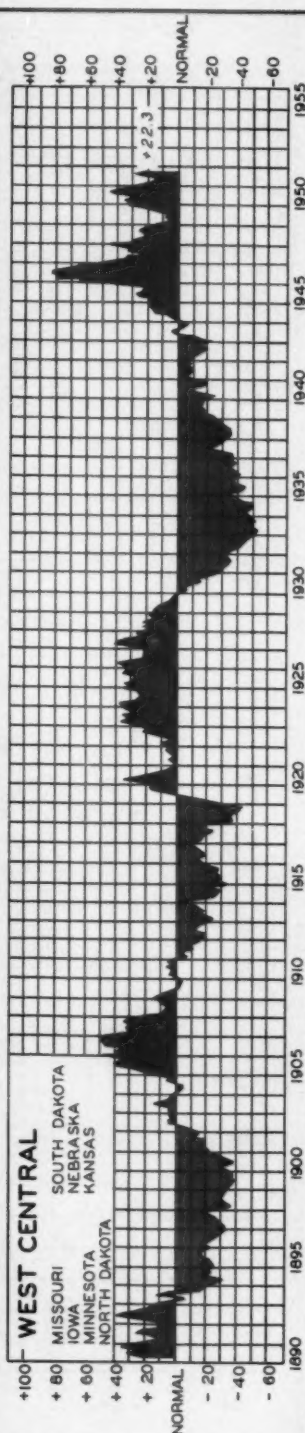
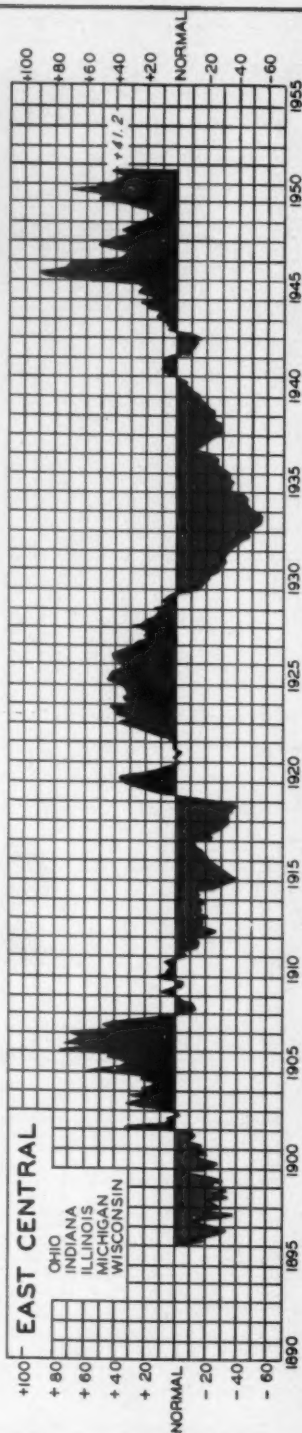
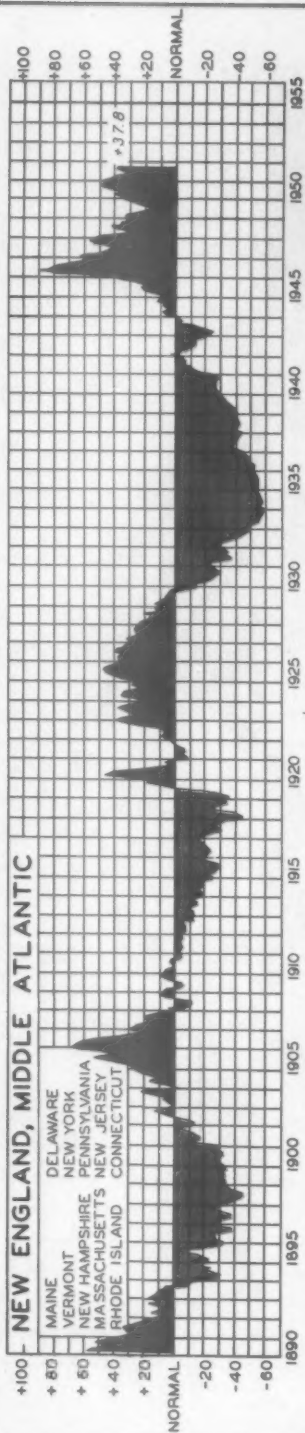
# NATIONAL CYCLES OF REAL ESTATE ACTIVITY

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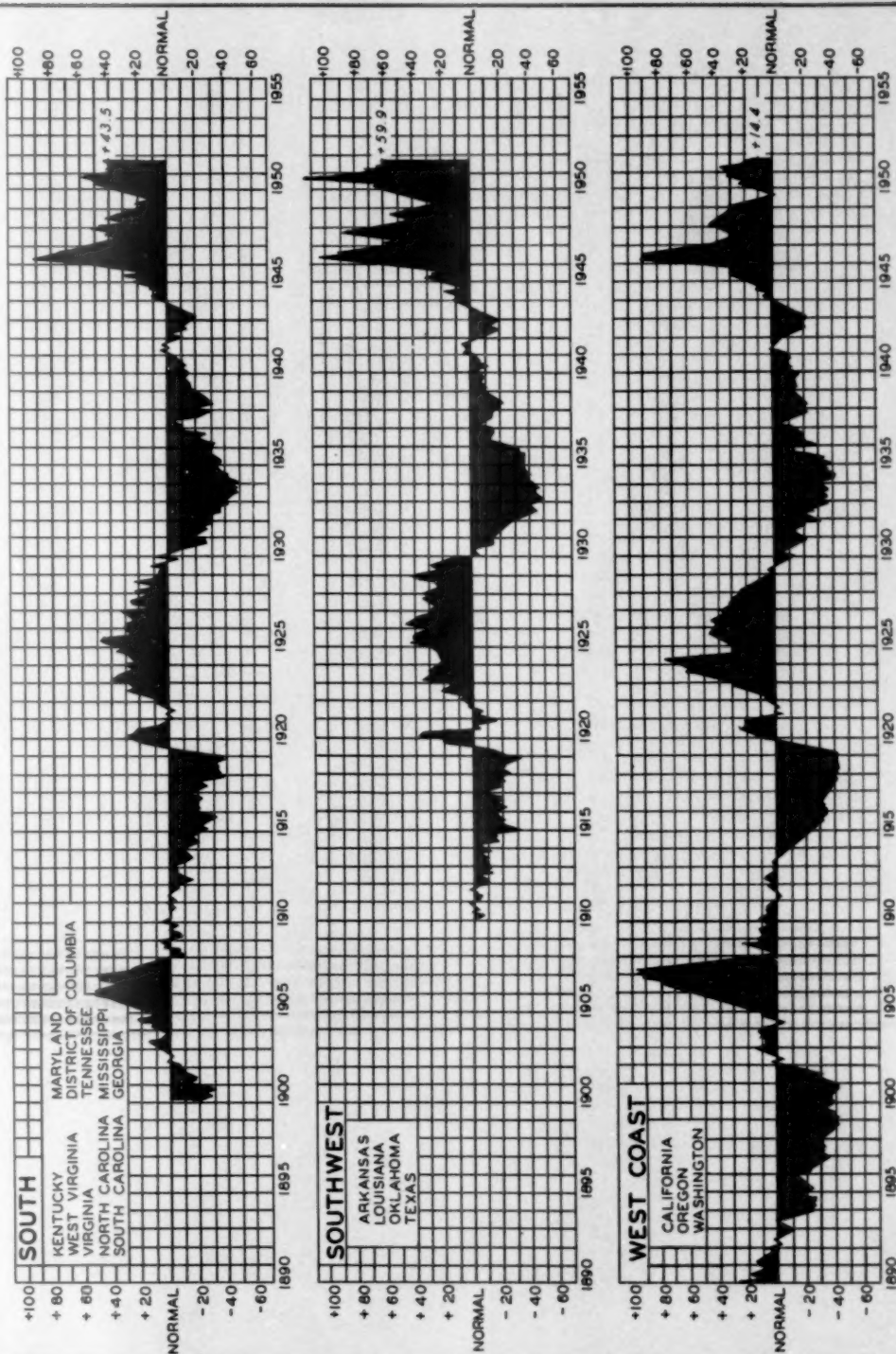
## REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

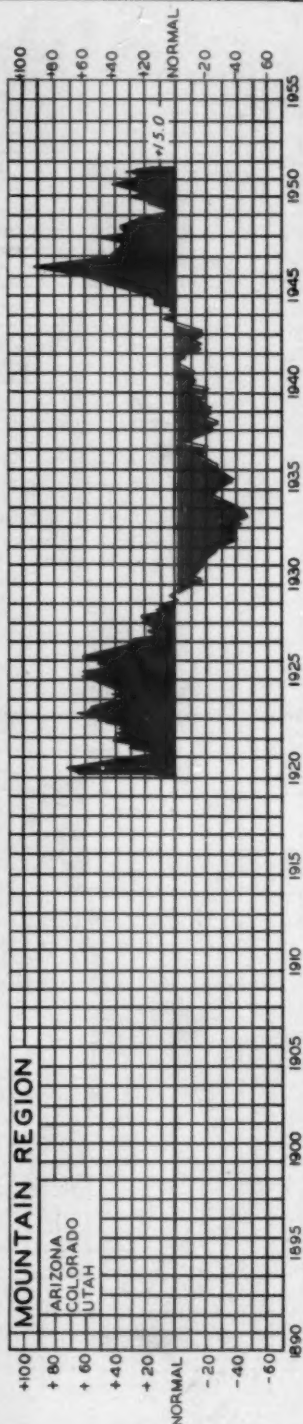
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# REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

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### REGIONAL PATTERNS OF REAL ESTATE ACTIVITY

THE charts on pages 490 through 492 show real estate activity by regions from 1890 to the present. The blue areas on these charts are the real estate booms and the red areas, the real estate depressions. A comparison of these charts, one with another, clearly shows that a similar pattern of real estate activity has existed throughout the United States during the period charted but, second, that variations have occurred in this pattern in the various regions. This is what we would normally expect. The underlying fundamental factors which are national in scope have brought about real estate booms and depressions, but the localized factors have modified these booms and depressions in the various areas. The real estate boom in the Southwest, for instance, was greater than it has been in any other section of the country. This includes the States of Arkansas, Louisiana, Oklahoma and Texas. At the present time real estate activity is lower on the West Coast than it is in any other part of the country. Contrary to the opinion of most persons, the real estate boom on the West Coast in the early 1900's was the biggest boom the West Coast has experienced, and the present boom has been of just moderate proportions in relationship to its population at the present time.